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TAGS: [PGOV](#) [ETRD](#) [ECON](#) [SOCI](#) [PREL](#) [VM](#)
SUBJECT: REFORMERS DISCUSS ECONOMIC SLUMP, PCI SCANDAL AND
NATIONAL ASSEMBLY'S EMERGING ROLE

REF: A. HANOI 1348
[1](#)B. HCMC 801
[1](#)C. HANOI 1102

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Classified By: Pol Counselor Brian Aggeler for Reasons 1.4 (B and D)

[1](#)1. (C) Summary: During a December 29 dinner discussion with the Ambassador, three founding members of the reform-minded Institute for Development Studies expressed doubt that a proposed stimulus package of \$6 billion would be implemented in full. They argued that small and medium business owners, farmers and the poor and unemployed should be the primary beneficiaries of the package. One scholar asserted that state-owned shipping giant Vinashin is in dire financial straits, defaulting on a number of loans. The three reformers, former advisers to some of Vietnam's senior-most leaders, surmised that the high-profile PCI scandal would figure in January 5-14 Central Committee discussions; however, they doubted HCMC Party Secretary and Politburo member Le Thanh Hai would be forced to retire because of his connections to the scandal. The experts highlighted the growing role of the National Assembly (NA) in Vietnam's policy process, emphasizing that NA deputies have themselves seized opportunities presented them. One scholar downplayed suggestions that Party leaders allowed the NA to become a more forceful voice in Vietnam's affairs. End Summary.

[1](#)2. (SBU) The three participants in the dinner with the Ambassador are founding members of the Institute for Development Studies (IDS) and, collectively, have over 90 years of experience analyzing and promoting Vietnam's development. Nguyen Quang A is IDS President and Chairman of the Board of the 3C Computer Co. He is known to have saved VP Bank (the Bank for Private Enterprises) from bankruptcy when he was its Chairman from 1997-2002. Dr. Le Dang Doanh retired as Senior Economist at the Ministry of Planning and Investment in 2007, but remains active as a consultant. He served as an economic adviser to several Vietnamese leaders, including General Secretary Nguyen Van Linh (who ushered in the "doi moi" reforms) and Vietnam's first communist premier and Ho Chi Minh contemporary, Pham Van Dong. Madam Pham Chi Lan has worked as a consultant since retiring as an adviser to Prime Minister Phan Van Khai in 2006. She has an over 25 year association with the Vietnam Chamber of Commerce and Industry and was involved in formulating many important commercial laws as part of the "doi moi" reforms. She also is regarded as an expert on Vietnam's evolving civil society.

Taking Aim at Stimulus Package

[1](#)3. (SBU) Quang A, Lan and Doanh generally discounted the proposed \$6 billion stimulus package, saying that the GVN was floating a public figure much higher than it actually intended to implement. Doanh felt that deliberations on the package were dragging on and that it was too late for the

funds to have any real positive effect on the domestic economic situation. The group was split on how the money should be spent, but seemed to generally agree that farmers and small and medium enterprises should be among the beneficiaries, with an additional emphasis on relief for the poor and unemployed. Doanh stressed that no matter how the money was spent, the process "should be clear and transparent." Quang A said the package would be funded through bonds and that the State Bank of Vietnam (SBV) was quickly dropping interest rates so that when the stimulus bonds were issued, the SBV could offer a lower rate for them.

He agreed that commercial banks would be the likely purchasers as they have excess liquidity.

14. (SBU) All three agreed that 2009 will be a difficult year for businesses in Vietnam, including state owned enterprises (SOEs). Doanh said Vinashin, the state-owned shipping company, is in dire straits due to the cancellation of three ship building contracts and has already defaulted on a number of loans. (Note: Vinashin has a history of recent troubles and was reportedly unable to get financing for a number of projects earlier this year. End Note). According to Doanh, the Chinese Government is heavily subsidizing its ship building industry so Chinese-built ships cost 50 percent less than those built by Vinashin.

Doubting HCMC's Le Thanh Hai Will Fall

15. (C) The scholars pointed out that the January 5-14 meeting of the 160-member Central Committee (CC) will focus on the economic challenges the country faces and map out general policy guidelines. However, all three doubted that any significant statements or major change in direction would flow from the plenum. This is because Vietnam's

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consensus-driven decision-making process mitigates against major changes, they explained. Quang A and Doanh surmised that the high-profile PCI scandal (Refs A and B) would figure in the discussions because the Party and Government have promised to get to the bottom of Vietnam's corruption problem. In response to the Ambassador's question, Doanh said it was possible the CC would discuss personnel changes in connection to the scandal. All three, however, cautioned that rumors of personnel changes inevitably accompany scandal and that "you should not believe everything you hear." Quang A and Doanh said someone would be made the "scapegoat" for the scandal, but said they were skeptical it would be HCMC Party Secretary and Politburo member Le Thanh Hai. (Note: Refs A and B discuss the PCI scandal in detail. End Note).

Highlighting NA as Change Driver

16. (C) Quang A, Lan and Doanh remarked that the National Assembly (NA) is bound to become more assertive as its members become more competent. They pointed out that NA deputies are increasingly striving to serve the interests of their constituents. If an ordinary citizen in a province, for instance, is concerned about corruption, then his or her representative in the NA will call the government to task over its failings on corruption, Doanh declared. Quang A and Doanh emphasized that the NA has become more assertive because NA deputies have themselves seized on opportunities presented them. Doanh voiced skepticism that Party higher-ups wanted the NA to be more involved in Vietnam's policy process.

17. (SBU) The group noted with approval the NA's more vocal role in recent budget discussions, in which deputies publicly questioned the availability of funds for the proposed stimulus and the wisdom of trying to increase production and exports while demand declines. Doanh said that, despite these recent statements, the NA still lacks the resources to accurately analyze the State budget and that it would benefit

from training and capacity building in this area.

Striving To Get Through Next Year

18. (C) The three IDS scholars lamented that some unspecified "iron hands" are not happy with the work of the institute and have tried to shut it down (Note: Ref C discusses IDS' background and recent difficulties. End Note). Quang A predicted that, if IDS can survive through 2009, the institute will be around for a while. IDS scholars merely want to continue to contribute ideas to Vietnam's reform process and help the country develop, he concluded.
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